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C O N F I D E N T I A L SECTION 01 OF 03 THE HAGUE 000340

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STATE FOR S/P, SCA/PB, EUR/WE (TSMITH)
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SUBJECT: DUTCH ASSISTANCE TO PAKISTAN

REF: STATE 29860

Classified By: ECON Chief Karen Enstrom, reasons 1.4 (b) and (d)

11. (C) SUMMARY: Dutch assistance to Pakistan totals EUR 40 million per year. Development Minister Bert Koenders announced April 8 that the GONL would resume some assistance programs that had been suspended in November 2007 after Musharraf declared a state of emergency. Dutch assistance to Pakistan focuses on environment/water, education, and good governance/human rights. The Dutch are in the midst of drafting a new strategy for their Pakistan aid program. The GONL is amenable to collaborating with other donors to enhance aid effectiveness. However, Dutch assistance is currently in a state of flux due to the 5-month aid suspension and strategic review now underway. END SUMMARY.

OVERVIEW OF DUTCH ASSISTANCE TO PAKISTAN

12. (SBU) Pakistan is one of approximately 36 "partner countries" that receive bilateral assistance from the Netherlands. Pakistan falls under the "security and development" rubric that covers countries where fragility or major inequality is blocking poverty reduction (one of three priority categories the GONL uses to target its aid). Despite the "security and development" title, the GONL does not provide security assistance to Pakistan. The overarching Dutch objective is to help Pakistan achieve the Millennium Development Goals and implement its Poverty Reduction Strategy Paper. To do this, the Dutch support a limited number of larger programs rather than a wide range of projects.

13. (SBU) Dutch bilateral assistance to Pakistan focuses on three sectors: environment/water, education, and good governance/human rights. Officially, Dutch focuses their aid on Baluchistan and Northwest Frontier Province (NWFP) although their programs actually cover several regions. Projects include:

-- Environment/Water: "Introduction of cleaner production technologies in industries" with the private sector. The Dutch helped build a wastewater treatment plant in the Korangi Industrial Area outside Karachi to treat effluent of 170 tanneries.

-- Environment/Water: "Indus for all program" with the World Wildlife Fund. The Dutch use their water management expertise to promote sustainable use of land and water in the lower Indus Delta region.

-- Environment/Water: "Baluchistan natural resources program" with IUCN-Pakistan. This program enhances the institutional capacity for environmental and water management.

-- Education: "Releasing confidence and creativity" with the Aga Khan foundation. This program aims to institutionalize a model for children's overall development.

14. (SBU) The GONL's 2008 assistance budget for Pakistan is EUR 40 million (USD 63 million). This level is consistent with previous years, except 2007 when the suspension of aid reduced the total to approximately EUR 30 million.

DUTCH SUSPEND AID AFTER STATE OF EMERGENCY DECLARATION ...

15. (SBU) In November 2007, Minister for Development Cooperation Bert Koenders suspended most Dutch aid to Pakistan after President Musharraf declared a state of

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emergency. This affected all water, environment, and education programs implemented through Pakistani government channels. The GONL continued to fund good governance and human rights programs run through local development agencies and NGOs.

... AND RESUME AID IN APRIL 2008

16. (SBU) Koenders announced April 8 that the GONL would resume some development programs in Pakistan that had been suspended. He attributed this decision to Pakistan's new, democratically elected government. However, Koenders cautioned that "total resumption of the development relationship would depend on further progress in restoring democracy and the new government's plans."

ASSISTANCE PROGRAM IN FLUX

17. (C) EconOff met April 9 with Louise Huijbens and Hidde Baars, Ministry of Foreign Affairs South Asia Division, to discuss Dutch assistance in greater detail. Huijbens and Baars said that the Dutch assistance program in Pakistan was in flux after its 5-month suspension. They said the Dutch Embassy in Islamabad is drafting a "Multi-Annual Strategic Plan" that will spell out the framework for future assistance. A clearer picture will not emerge until Koenders has given final approval to a new strategy this summer.

18. (C) Huijbens and Baars indicated that -- at the working level -- the Dutch are concerned that aid suspension has relegated them to the sidelines among Pakistan assistance players. For example, having temporarily shut down its education program in NWFP because it was deemed to support indirectly Musharraf's government, Huijbens noted that it will be difficult to restart activities and reestablish trust with stakeholders and other donors. (Note: Koenders has said the opposite -- that suspending aid under Musharraf's government increased Dutch credibility in the eyes of

ordinary Pakistanis. End note.)

¶9. (C) Huijbens said that the GONL does not have an agreement with the Pakistani government to measure and ensure aid effectiveness. Despite Pakistan's requests for debt relief, she added, the GONL's standing policy is not to grant such relief. Post notes that the GONL does not appear to be in a position to address, on a bilateral basis, immediate food and energy shortages and public health deficiencies in Pakistan. However, the GONL does hold funds in reserve to contribute to multilateral institutions dealing with urgent humanitarian situations.

KOENDERS "DOESN'T LIKE PAKISTAN"

¶10. (C) Huijbens said that Koenders' assumption of the development portfolio in February 2007 triggered a "rethink" of the Pakistan aid program. Koenders "doesn't like Pakistan," she said. For example, last year the GONL explored the option of assisting in the Federally Administered Tribal Areas (FATA) but concluded that security concerns made it too difficult. Koenders in particular was critical of carrying out activities in the FATA, asking what additional value could the GONL bring to the area. Huijbens also said that the GONL, after the 2005 earthquake and under the previous development minister, had budgeted EUR 30 million for education programs (initially in NWFP) -- but has not been able to spend that much on the ground with Koenders at the helm.

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DUTCH WILLING TO COORDINATE

¶11. (C) Huijbens and Baars said that the GONL was interested in collaborating with other donors on assistance to Pakistan. This is in keeping with the general Dutch approach to assistance, which emphasizes coordinated, multilateral efforts as a means to maximize value of aid budgets.

Gallagher